

FY 2006-07 BUDGET

BUDGET SECTION SUMMARY

Section Title:

SANITATION ZONE - PENNGROVE

A. Program Description

This budget finances the maintenance, construction, debt service, and administration of a collection system and pumping station which serves the Penngrove area. Raw sewage is pumped to the City of Petaluma for treatment and disposal. These services are provided by Petaluma pursuant to an agreement between the two entities. The City of Petaluma charges the Penngrove Sanitation Zone (SZ) for treatment on the basis of Equivalent Single Family Dwellings (ESDs).

B. Financial Summary

Section	GROSS EXPENDITURES			NET COST/USE OF FUND BALANCE		
	FY 05-06 Adopted	FY 06-07 Requested	Percent Change	FY 05-06 Adopted	FY 06-07 Requested	Percent Change
Operations	\$440,400	\$453,138	2.89%	\$95,530	\$74,604	(21.90%)
Bonds	7,977	7,502	(5.95%)	(7,373)	(8,108)	9.97%
Construction	680,000	580,000	(14.71%)	677,000	535,000	(20.97%)
TOTAL:	\$1,128,377	\$1,040,640	(7.78%)	\$765,157	\$601,496	(21.39%)

C. Staffing Summary

No staffing is allocated to this index.

D. Workload Summary

Workload Indicator	FY 04-05 Actual	FY 05-06 Budget Estimate	FY 05-06 Revised Estimate	FY 06-07 Projected	Change from FY 05-06 Budget Estimate
Total ESDs	498	502	502	503	0.20%
Total APNs	409	397	409	409	3.02%

E. Summary of Issues and Significant Changes

Agency operations in the Penngrove Sanitation Zone (Penngrove SZ) are limited to administrative services and operation/maintenance of the collection system and pumping station. The wastewater collected by the Penngrove SZ collection system flows through the City of Petaluma's collection system to the Petaluma wastewater treatment plant. Wastewater generated by the Penngrove SZ and Petaluma is treated to meet secondary standards at the City of Petaluma's treatment plant.

Petaluma awarded a contract for the design, construction, and operation of a new wastewater treatment plant that meets advanced (tertiary) wastewater treatment standards. The project is expected to cause a significant increase in the annual service charge over the next several years. The proposed commercial sewer rate increase by the City of Petaluma is 7.9% for Calendar Year 2006.

The proposed FY 06-07 annual sewer service charges for Penngrove SZ is \$756 per equivalent single family dwelling, which represents a \$59 or 8.5% increase over FY 05-06. This increase is primarily attributable to the significant increases to the commercial sewer rate proposed by the City of Petaluma. It may be noted that future rate increases for Penngrove Sanitation may have to closely mirror the projected increases by the City of Petaluma.

Connection fees continue to be collected for the future expansion of the collection system and part of Penngrove's share of the cost to upgrade and expand the City of Petaluma's wastewater treatment and reclamation facilities.

The Penngrove SZ is currently collecting sufficient funds to operate and maintain its collection system. In addition to funds needed for the ongoing operations and maintenance expenses, funds are necessary for the replacement of the collection system.

F. Summary of Reduction Options

No reduction options are proposed.

G. Attachments

- Summary of Revenues and Expenditures
- Character Justification
- Statement of Special Fund Activity

FY 2006-07 BUDGET
SUMMARY OF REVENUES AND EXPENDITURES

Section Title: SANITATION ZONE - PENNGROVE - OPERATIONS

Section/Index No: 680108

Sub-Object No. and Title	Adopted 2005-06	Requested 2006-07	Difference	Percent Change
REVENUES:				
<u>TAXES</u>				
1001 Flat Charges - CY	\$332,650	\$366,736	\$34,086	10.25%
1061 Flat Charges - PY	2,500	2,500	0	0.00%
1120 Penalties/Costs on Taxes	250	250	0	0.00%
Subtotal Taxes	\$335,400	\$369,486	\$34,086	10.16%
<u>USE OF MONEY</u>				
1700 Interest on Pooled Cash	\$2,500	\$3,000	\$500	20.00%
Subtotal Use of Money	\$2,500	\$3,000	\$500	20.00%
<u>CHARGES FOR SERVICES</u>				
3400 Sanitation Services	\$6,970	\$6,048	(\$922)	(13.23%)
Subtotal Charges for Services	\$6,970	\$6,048	(\$922)	(13.23%)
TOTAL REVENUES	\$344,870	\$378,534	\$33,664	9.76%

EXPENDITURES:

SERVICES AND SUPPLIES

6040 Communications	\$500	\$500	\$0	0.00%
6180 Maintenance - Bldgs / Impr	15,000	15,000	0	0.00%
6522 District Services	75,000	65,000	(10,000)	(13.33%)
6573 Administration Costs	2,900	3,000	100	3.45%
6610 Legal Services	2,000	2,000	0	0.00%
6630 Audit / Accounting Services	1,000	1,138	138	13.80%
7000 Special Departmental Exp	285,000	290,000	5,000	1.75%
7320 Utilities	9,000	7,500	(1,500)	(16.67%)
Subtotal Services and Supplies	\$390,400	\$384,138	(\$6,262)	(1.60%)

OTHER CHARGES

7980 Depreciation	\$40,000	\$40,000	\$0	0.00%
Subtotal Other Charges	\$40,000	\$40,000	\$0	0.00%

FY 2006-07 BUDGET
SUMMARY OF REVENUES AND EXPENDITURES

Sub-Object No. and Title	Adopted 2005-06	Requested 2006-07	Difference	Percent Change
<u>OTHER FINANCING USES</u>				
8625 OT - W/in Special Dist - BOS	\$0	\$21,000	\$21,000	N/A
<i>Subtotal Other Financing Uses</i>	\$0	\$21,000	\$21,000	N/A
<u>APPROPRIATIONS FOR CONT</u>				
9000 Appropriations for Contingencies	\$10,000	\$8,000	(\$2,000)	(20.00%)
<i>Subtotal Appropriations for Contin.</i>	\$10,000	\$8,000	(\$2,000)	(20.00%)
TOTAL EXPENDITURES	\$440,400	\$453,138	\$12,738	2.89%
TOTAL NET COST <i>(Expenditures Minus Revenues)</i>	\$95,530	\$74,604	(\$20,926)	(21.90%)

FY 2006-07 BUDGET

CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation

Section Title: Sanitation Zone - Penngrove - Operations

Character Title: Taxes

Character No.: 680108-10

1001 Flat Charges - CY

Flat charge revenue from annual service charges is expected to increase from the adopted FY 05-06 budget. The rate will increase 8.5%, from \$697 to \$756.

ESDs times annual rate:	495	x	\$756	\$374,220
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Less Estimated Delinquency Factor:	2%		(7,484)	
				\$366,736

(See SubObject 3400 for Total ESDs)

1061 Flat Charges - PY

This item records the estimated delinquent amount of prior years sewer service charges.

1120 Penalties / Costs on Taxes

This item records penalties paid on delinquent sewer service charges.

Character Title: Use of Money

Character No.: 680108-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the Zone by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance		\$75,000
Projected Interest Rate		4.00%
Projected/Planned Interest on Pooled Cash		\$3,000

Character Title: Charges for Services

Character No.: 680108-30

3400 Sanitation Services

This account records annual sewer service charges for entities that are invoiced, rather than collected as flat charges on the tax roll, and for new hook-ups as they occur during the year. The Sanitation Rate Ordinance requires that charges be collected at the time permits are issued. The properties are then added to the tax roll master listing and collected through sub-object 1001, Flat Charges-CY, in the following year.

Based on projected FY 06-07 ESDs, the Zone will experience an increase in revenue from invoiced entities. The budgeted revenue reflects an increase in the annual sewer service charge from \$697 to \$756.

ESDs x Annual Charge	8	x	\$756	=	\$6,048
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Character Title:

Services and Supplies

Character No.:

680108-60

6040 Communications

This account records expenses paid by the Zone for outside communication and wireless services.

6180 Maintenance - Bldgs / Impr

This account records the cost of parts and materials required to maintain the collection system. The requested amount will cover work such as repair or replacement of certain manholes and pumps, as well as reconfiguration of some of the collection system plumbing in order to handle increased flows coming into the pump station.

6522 District Services

This account records the cost of labor and overhead associated with operation and maintenance of the Zone's facilities and equipment, as well as other related service and supply type items.

6573 Administration Costs

This account represents the 1% administration fee assessed by the County for processing collection of flat charges on the tax roll.

6610 Legal Services

This item is requested to provide funds for the estimated cost of legal services to be provided by County Counsel, or outside legal services, as required.

6630 Audit / Accounting Services

Audit/Accounting Services covers the cost of the annual audit and accounting services provided by the Auditor-Controller's Office.

7000 Special Departmental Expense

The Penngrove Sanitation Zone does not have a sewer treatment plant. Rather, the Zone has an agreement with the City of Petaluma to accept and treat sewage. The amount requested for the forthcoming year reflects an increase from the current year budget consistent with planned rate increases by the City of Petaluma to fund the design and construction of a new treatment plant that meets advanced wastewater treatment (AWT) standards.

7320 Utilities

This account records the cost of payments made for utilities such as gas, electricity, and water.

Character Title:

Other Charges

Character No.:

680108-75

7980 Depreciation

Generally Accepted Accounting Principles require that depreciation be expensed each year.

Character Title: Other Financing Uses

Character No.: 680108-86

8625 OT - W/in Special Dist - BOS

This account reflects the transfer of cash from the Operations Fund to the Construction Fund to finance the capital replacement program. If the Operations Fund does not have sufficient cash available to finance planned capital projects, the transfer will not be made and any uncompleted projects will be rescheduled and rebudgeted in the next fiscal year.

Character Title: Appropriations for Contingencies

Character No.: 680108-90

9000 Appropriations for Contingencies

This account provides funding for unanticipated expenditures or revenue shortfalls.

FY 2006-07 BUDGET

STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation

Section: Sanitation Zone - Penngrove - Operations

Index No.: 680108

DESCRIPTION OF FUND ACTIVITY	Actual FY 04-05	Estimated FY 05-06	Requested FY 06-07
Undesignated/Unreserved <u>BEGINNING</u> Fund Balance Available for Budgeting (See Detailed Components Below)	\$83,547	\$75,468	\$61,401
Annual Revenues and Expenditures:			
Revenues - Increase fund balance	324,462	357,501	378,534
Expenditures - (Decrease) fund balance	(371,366)	(408,330)	(453,138)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	(46,904)	(50,829)	(74,604)
Adjustments to Reserves/Encumbrances:			
7980 - Depreciation	38,823	36,762	40,000
Net Adjustment - Increase/(Decrease) to Fund Balance	38,823	36,762	40,000
Undesignated/Unreserved <u>ENDING</u> Fund Balance Available for Budgeting	\$75,468	\$61,401	\$26,797
Total Increase/(Decrease) in Fund Balance for Fiscal Year (Difference between Beginning and Ending Balance)	(\$8,079)	(\$14,067)	(\$34,604)
<u>Fund Balance Components at Beginning of FY</u>	<u>7/1/04</u>	<u>7/1/05</u>	
Cash	\$198,299	\$438,465	
Other Receivables	6,034	9,740	
Accounts Payable	(120,786)	(372,737)	
Encumbrances	-	-	
Total Beginning Fund Balance	\$83,547	\$75,468	

FY 2006-07 BUDGET
SUMMARY OF REVENUES AND EXPENDITURES

Section Title: SANITATION ZONE - PENNGROVE - BONDS
Section/Index No: 680207

Sub-Object No. and Title	Adopted 2005-06	Requested 2006-07	Difference	Percent Change
REVENUES:				
<u>TAXES</u>				
1000 Prop Taxes - CY Secured	\$14,000	\$14,000	\$0	0.00%
1020 Prop Taxes - CY Supplemental	500	500	0	0.00%
1040 Prop Taxes - CY Unsecured	500	500	0	0.00%
1060 Prop Taxes - PY Secured	0	0	0	N/A
Subtotal Taxes	\$15,000	\$15,000	\$0	0.00%
<u>USE OF MONEY</u>				
1700 Interest on Pooled Cash	\$0	\$260	\$260	N/A
Subtotal Use of Money	\$0	\$260	\$260	N/A
<u>INTERGOVERNMENTAL REVENUES</u>				
2440 St - HOPTR	\$350	\$350	\$0	0.00%
Subtotal Intergovernmental Revenues	\$350	\$350	\$0	0.00%
TOTAL REVENUES	\$15,350	\$15,610	\$260	1.69%
EXPENDITURES:				
<u>SERVICES AND SUPPLIES</u>				
6635 Fiscal Agent Fees	\$52	\$52	\$0	0.00%
Subtotal Services and Supplies	\$52	\$52	\$0	0.00%
<u>OTHER CHARGES</u>				
7920 Interest	\$7,925	\$7,450	(\$475)	(5.99%)
Subtotal Other Charges	\$7,925	\$7,450	(\$475)	(5.99%)
<u>ADMINISTRATIVE CONTROL ACCOUNT</u>				
9200 Ent - Principal	\$9,000	\$10,000	\$1,000	11.11%
9209 Ent - Principal Clearing	(9,000)	(10,000)	(1,000)	11.11%
Subtotal Administrative Control	\$0	\$0	\$0	N/A
TOTAL EXPENDITURES	\$7,977	\$7,502	(\$475)	(5.95%)
TOTAL NET COST (Expenditures Minus Revenues)	(\$7,373)	(\$8,108)	(\$735)	9.97%

FY 2006-07 BUDGET
CHARACTER JUSTIFICATION

Department - Division: Sonoma County Water Agency - Sanitation
Section Title: Sanitation Zone - Penngrove - Bonds

Character Title: Taxes

Character No.: 680207-10

1000 Prop Taxes - CY Secured

The Auditor-Controller establishes a tax rate sufficient to accumulate tax revenues necessary to make bond payments of interest and principal. The bonds were passed to fund construction of sewage facilities.

1020 Prop Taxes - CY Supplemental

The amount requested for property tax revenue is based on prior year actuals and current year estimates from the Auditor-Controller's office.

1040 Prop Taxes - CY Unsecured

The amount requested for property tax revenue is based on prior year actuals and current year estimates from the Auditor-Controller's office.

1060 Prop Taxes - PY Secured

No amount is recommended since no revenue has been received in this account in recent years.

Note:

The FY 06-07 bond payment amount (principal and interest) is \$17,450. To avoid major fluctuations in the tax rate from year to year, the tax amount budgeted and/or collected each year may not correspond exactly to the annual bond payment (P&I). Over or under collection in any single year (when compared to the bond payment for that year) merely increases or decreases the fund balance retained in this index. The Auditor's long term tax rate calculations are designed to ensure that debt service obligations are met, while retaining an appropriate level of fund balance, and minimizing unnecessary tax rate fluctuations.

Character Title: Use of Money

Character No.: 680207-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the Zone by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$6,500
Projected Interest Rate	<u>4.00%</u>
Projected/Planned Interest on Pooled Cash	\$260

Character Title: **Services and Supplies**

Character No.: **680207-60**

6635 Fiscal Agent Fees

This account records the fee collected by the County Treasurer for acting as the fiscal agent.

Character Title: **Other Charges**

Character No.: **680207-75**

7920 Interest

This account reflects the interest expense on the outstanding general obligation bonds. The interest rate is 5%. Payments began March 1, 1978 and will continue semi-annually until September 1, 2017. The request for the forthcoming year is based on the bond amortization schedule prepared at the time the bonds were sold.

Character Title: **Administrative Control**

Character No.: **680207-92**

9200 Ent - Principal

This account reflects the principal expense for general obligation bonds that were issued in 1977 to finance the local share of a wastewater collection system. Payments on the bonds will continue until September 1, 2017. The FY 06-07 request is based on the bond amortization schedule prepared at the time the bonds were sold.

The following reflects the bond principal payment history to date:

Original Amount of the General Obligation Bond Issue:	\$300,000
Total FY 77-78 through FY 04-05 Principal Payments:	(137,000)
FY 05-06 Principal Payment:	<u>(9,000)</u>
Outstanding Bond Amount	\$154,000

9209 Ent - Principal Clearing

This is the clearing account for sub-object 9200, Ent - Principal.

FY 2006-07 BUDGET

STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation
Section: Sanitation Zone - Penngrove - Bonds
Index No.: 680207

DESCRIPTION OF FUND ACTIVITY	Actual FY 04-05	Estimated FY 05-06	Requested FY 06-07
Undesignated/Unreserved <u>BEGINNING</u> Fund Balance			
Available for Budgeting (See Detailed Components Below)	\$9,167	\$7,843	\$5,705
Annual Revenues and Expenditures:			
Revenues - Increase fund balance	15,951	15,839	15,610
Expenditures - (Decrease) fund balance	(8,275)	(7,977)	(7,502)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	7,676	7,862	8,108
Adjustments to Reserves/Encumbrances:			
9200 - Enterprise Principal	(9,000)	(9,000)	(10,000)
Change in Matured Bonds Payable	-	(1,000)	-
Net Adjustment - Increase/(Decrease) to Fund Balance	(9,000)	(10,000)	(10,000)
Undesignated/Unreserved <u>ENDING</u> Fund Balance			
Available for Budgeting	\$7,843	\$5,705	\$3,813
Total Increase/(Decrease) in Fund Balance for Fiscal Year (Difference between Beginning and Ending Balance)	(\$1,324)	(\$2,138)	(\$1,892)
<u>Fund Balance Components at Beginning of FY</u>	<u>7/1/04</u>	<u>7/1/05</u>	
Cash	\$21,034	\$19,560	
Matured Bonds Payable	(9,000)	(9,000)	
Interest Payable	(2,867)	(2,717)	
Total Beginning Fund Balance	\$9,167	\$7,843	

FY 2006-07 BUDGET
SUMMARY OF REVENUES AND EXPENDITURES

Section Title: SANITATION ZONE - PENNGROVE - CONSTRUCTION
Section/Index No: 680306

Sub-Object No. and Title	Adopted 2005-06	Requested 2006-07	Difference	Percent Change
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REVENUES:

USE OF MONEY

1700 Interest on Pooled Cash	\$3,000	\$24,000	\$21,000	700.00%
Subtotal Use of Money	\$3,000	\$24,000	\$21,000	700.00%

OTHER FINANCING SOURCES

4625 OT - W/in Special Dist - BOS	\$0	\$21,000	\$21,000	N/A
Subtotal Other Financing Sources	\$0	\$21,000	\$21,000	N/A

TOTAL REVENUES	\$3,000	\$45,000	\$42,000	1400.00%
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EXPENDITURES:

FIXED ASSETS

8510 Buildings / Improvements	\$0	\$0	\$0	N/A
9142 Capital Replacement Program	680,000	580,000	(100,000)	(14.71%)
Subtotal Fixed Assets	\$680,000	\$580,000	(\$100,000)	(14.71%)

TOTAL EXPENDITURES	\$680,000	\$580,000	(\$100,000)	(14.71%)
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TOTAL NET COST (Expenditures Minus Revenues)	\$677,000	\$535,000	(\$142,000)	(20.97%)
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**FY 2006-07 BUDGET
CHARACTER JUSTIFICATION**

Department - Division: Sonoma County Water Agency - Sanitation
Section Title: Sanitation Zone - Penngrove - Construction

Character Title: Use of Money

Character No.: 680306-17

1700 Interest on Pooled Cash

This account records interest on pooled cash held for the Zone by the County Treasurer's office. Estimated interest is projected based on cash on hand and current interest rate trends.

Estimated Average Cash Balance	\$600,000
Projected Interest Rate	<u>4.00%</u>
Projected/Planned Interest on Pooled Cash	\$24,000

Character Title: Other Financing Sources

Character No.: 680306-46

4625 OT - W/in Special Dist - BOS

This account reflects the transfer of cash from the Operations Fund to the Construction Fund to finance the capital replacement program. If the operations fund does not have sufficient cash available to finance planned capital projects, the transfer will not be made and any uncompleted projects will be rescheduled and rebudgeted in the next fiscal year.

Character Title: Fixed Assets

Character No.: 680306-85

8510 Buildings / Improvements

This account reflects funds for the treatment plant upgrade. No funds will be budgeted for FY 06-07.

9142 Capital Replacement Program

The amount requested for the forthcoming year is intended to be used for the work on the Sewer Rehabilitation Project to reduce inflow and filtration. The current budget item will fund construction and contract administration costs.

FY 2006-07 BUDGET
STATEMENT OF SPECIAL FUND ACTIVITY

Department: Sonoma County Water Agency - Sanitation
Section: Sanitation Zone - Penngrove - Construction
Index No.: 680306

DESCRIPTION OF FUND ACTIVITY	Actual FY 04-05	Estimated FY 05-06	Requested FY 06-07
Undesignated/Unreserved <u>BEGINNING</u> Fund Balance			
Available for Budgeting (See Detailed Components Below)	\$762,189	\$733,155	\$536,951
Annual Revenues and Expenditures:			
Revenues - Increase fund balance	33,547	23,796	45,000
Expenditures - (Decrease) fund balance	(58,044)	(220,000)	(580,000)
Net Surplus or Deficit - Increase/(Decrease) to fund balance	(24,497)	(196,204)	(535,000)
Adjustments to Reserves/Encumbrances:			
PY CIP Reclass	-	-	-
Capitalized Interest	(4,422)	-	-
Change in Encumbrance	(115)	-	-
Net Adjustment - Increase/(Decrease) to Fund Balance	(4,537)	-	-
Undesignated/Unreserved <u>ENDING</u> Fund Balance			
Available for Budgeting	\$733,155	\$536,951	\$1,951
Total Increase/(Decrease) in Fund Balance for Fiscal Year (Difference between Beginning and Ending Balance)	(\$29,034)	(\$196,204)	(\$535,000)
<u>Fund Balance Components at Beginning of FY</u>	7/1/04	7/1/05	
Cash	\$760,266	\$733,829	
Other Receivables	1,923	-	
Accounts Payable	-	(559)	
Encumbrances	-	(115)	
Total Beginning Fund Balance	\$762,189	\$733,155	